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Message Text

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PAGE 01 LONDON 05989 201723Z

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ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 ISO-00 AGR-05 CIAE-00

COME-00 INR-07 LAB-04 NSAE-00 SP-02 TRSE-00 CIEP-01

FRB-03 OMB-01 L-03 PA-01 PRS-01 USIA-06 /068 W
---------- 017558
R 201716Z APR 76
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 0905
INFO AMEMBASSY BRASILIA
AMEMBASSY ABIDJAN
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
AMEMBASSY BOGOTA

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E.O. 11652: N/A
TAGS: ETRD, EAGR
SUBJECT: COFFEE -- RUMORED BRAZILIAN PURCHASE OF
ANGOLAN COFFEE

1. RUMORS OF BRAZILIAN PURCHASE OF ANGOLAN AND, SUB-
SEQUENTLY, IVORIAN AND UGANDAN COFFEE HAVE BEEN CIR-
CULATING FOR SOME TIME IN LONDON AND HAVE APPEARED IN
PRESS. DURING RECENT SUGAR MEETINGS BRAZILIAN REP
DAUSTER CONFIRMED TO US REP THAT PURCHASE NEGOTIATIONS
WERE UNDERWAY. TRADE SOURCE TOLD EMBOFF APRIL 20 RUMORS
HAVE BEEN A FACTOR IN CURRENT HIGH ROBUSTA PRICES ON
LONDON COMMODITY EXCHANGE.
2. IN CONVERSATION SAME DAY, SILVIO LIMA, LONDON REP,
IBC, TOLD EMBOFF BRAZILIAN TRADE MISSION HAS JUST
RETURNED TO BRAZIL FOLLOWING NEGOTIATIONS WITH BOTH ANGOLA
AND IVORY COAST. HOWEVER, TO LIMA'S KNOWLEDGE, AGREE-
MENT HAS NOT YET BEEN REACHED ON EITHER PRICE OR QUANTITY
BRAZIL IS NOT NEGOTIATING WITH UGANDA AND HAS NO RPT
NO INTEREST IN UGANDAN COFFEE. LATEST FIGURE LIMA
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PAGE 02 LONDON 05989 201723Z

AWARE OF IS FOR 20,000 TONS (333,333 BAGS).

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3. HE SAID COFFEE WOULD BE PURCHASED UNDER A TRADE AGREE
MENT COVERING ROUGHLY 50 MILLION, OVER A SPAN OF TWO
TO THREE YEARS. BRAZIL WILL MARKET SHOES, BUSES, AND
MOTOR CARS UNDER AGREEMENT (WHETHER THIS FIGURE APPLIES
ONLY TO ANGOLA OR BOTH TO THE IVORY COAST AND ANGOLA
WAS NOT MADE CLEAR; ALSO WHETHER COFFEE TRANSACTION WOULD
BE STRAIGHT BARTER DEAL OR CASH SALE WAS UNCLEAR).

4. LIMA SAID ROBUSTA PURCHASE WOULD BE FOR BRAZIL'S
SOLUABLE COFFEE INDUSTRY, FOR DOMESTIC CONSUMPTION AS
REPORTED REFTEL. NEVERTHELESS, HE MADE CLEAR THAT THE
PURCHASE WAS DIRECTLY RELATED TO BRAZIL'S EXPORT
POSITION. BRAZIL'S SOLUABLE EXPORTS HAVE BEEN ABOVE
EXPECTATIONS SO FAR THIS YEAR WHILE ITS SMALL (SOME
500,000 BAGS) PRODUCTION OF ROBUSTA COFFEE HAS BEEN
DRAWN DOWN, WITH SALES (APPARENTLY AS GREEN COFFEE) TO
ARGENTINA, THE US AND FRANCE. THIS HAS LEFT THE SOL-
UABLE INDUSTRY VERY SHORT OF RAW MATERIALS.

5. LIMA WAS WELL AWARE OF THE UNSETTLING EFFECT
THAT THE RUMORS ARE HAVING ON THE ROBUSTA MARKET.
HE SAID HE INTENDED TO URGE IBC TO CLARIFY MATTERS BY
A PUBLIC ANNOUNCEMENT SOONEST.

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